

GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE



REPORT OF THE  
INDIAN TARIFF BOARD  
ON THE  
CONTINUANCE OF PROTECTION TO THE  
CALCIUM CHLORIDE INDUSTRY

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## REPORT ON THE CALCIUM CHLORIDE INDUSTRY.

The Government of India, Ministry of Commerce, in their letter No. 134-T(19)47, dated 11th June 1948, have asked the Tariff Board to inquire into, and report on, the question of continuance of protection to certain war-time industries, calcium chloride being one of them. It is pointed out in that letter that the existing protection to the calcium chloride industry expires on 31st March 1949.

2. The case of protection to the calcium chloride industry was first referred to the Tariff Board for investigation by the Government of India (the late Department of Commerce), in their resolution No. 218-T(55)45, dated 3rd November, 1945. The application for protection in this case was made by the Pioneer Magnesia Works. The Tariff Board, after due inquiry, submitted its report to Government in April 1946. The Board recommended (i) that no licence should be given for the import of calcium chloride during the year 1946; and (ii) that, with effect from the beginning of 1947, the then existing preferential revenue duty of 24 per cent. *ad valorem* on imports of calcium chloride from the U.K. should be converted into a specific protective duty of Rs. 3-4-0 per cwt. and that the duty should remain in force for a period of three years. In their Resolution No. 218-T(55)45, dated 21st December, 1946, Government accepted the recommendation of the Board regarding the conversion of the preferential revenue duty of 24 per cent. *ad valorem* on imports of calcium chloride from the U.K. into a specific protective duty of Rs. 3-4-0 per cwt. This concession was extended to imports from British colonies. Consequential changes were also made by converting the standard rate of 36 per cent. revenue duty into specific protective duty of Rs. 4-14-0 per cwt., and the preferential rate of 12 per cent. on imports from Burma into a specific protective duty of Rs. 1-10-0 per cwt. This protection was, however, granted for a period of one year in the first instance, but it was subsequently extended up to 31st March, 1949.

3. (a) In its report on the calcium chloride industry, the previous Tariff Board recommended that the Pioneer Magnesia Works, a private limited company, should convert itself into a public limited company. No action has so far been taken by the Company in this regard, because, in the Company's view, without a long term extension of the present 'bitterns' lease which expires by the end of 1953, the firm's future prospects would continue to remain uncertain, and therefore, it cannot attract fresh capital for the expansion and improvement of its works. The firm, therefore, contends that so long as the present uncertainty about its future prospects continues, the flotation of a public limited company will not be a success. The Board believes that there is much force in this contention.

(b) The Company has, however, carried out the recommendation of the previous Tariff Board that the accounts relating to its trading activities should be separated from those relating to its manufacturing activities.

4. (I) The previous Tariff Board, in estimating the fair selling price of calcium chloride for the future, anticipated that the cost of production of the article would, appreciably decrease from 1947 onwards due to (a) higher output, (b) reduction in manufacturing charges and (c) credit for basic light magnesium carbonate as a by-product in the manufacture of calcium chloride. But these anticipations for the most part remain unfulfilled. On the contrary, cost of production has actually gone up. Thus, while the Tariff Board estimated the cost of production of calcium chloride to be Rs. 9-8-9 per cwt. from 1947 onwards, the present cost of production as stated by the firm comes to Rs. 17-5-3. Break-up of the cost of production is given in appendix. The reasons for this increase in the cost of production are stated by the Company to be as follows :—

(i) *Reduction in output.*—The highest output of calcium chloride attained by the company was in 1943, when it was 894 tons. It went down to 831 tons in 1944 and 791 tons in 1945. The Board in 1946 expected that the output would go up to 1,000 tons per annum. Actually, however, it was 516 tons in 1946, 370 tons in 1947 and 238 tons during the first six months of 1948. The Company has stated that this fall in production was largely due to non-availability of lime, firewood and coal as well as to labour difficulties.

(ii) Increase in wages.

(iii) Increase in the price of furnace oil from Rs. 60 in 1945 to about Rs. 115 at the present time. The firm has, however, made some economy in the use of furnace oil by installing a 28 K.W. generator set and altering the design of their furnaces and pre-heating chambers, as recommended by technical experts.

(iv) The Board expected that the Company would put up its own lime kiln so as to obtain a better grade of lime and thereby effect economy in its use, but due to non-availability of fire bricks, cement and chimney, the proposed lime kiln has not yet come into operation.

(v) The Board anticipated that the Company would be able to manufacture basic light magnesium carbonate as a by-product by utilising the waste hydroxide. The sale of this by-product would have gone some way to reduce the net cost of manufacturing calcium chloride. This expectation also remains unfulfilled, because, the requisite plan and equipment for this purpose, for which orders were placed abroad have not yet been received.

(vi) It was also expected that the firm would instal necessary equipment to manufacture bromine as a by-product, credit for which would have reduced the cost of manufacture of calcium chloride and other chemicals, manufactured by the firm. Two attempts have so far been made by the firm to manufacture bromine, but without success. The firm has now approached Messrs. Krebs & Co., of Switzerland, a well-known firm of consultants, for investigating into the matter, and their report is expected by the end of the current year.

(II) The selling price of calcium chloride, ex-works Kharaghoda, was Rs. 16 in 1946, and Rs. 15 in 1947. It is Rs. 15|8|- in the current year.

5. The Company has, however, achieved the following improvements in the process of manufacture :—  
Improvements in manufacturing process.

(a) Previously, calcium chloride was manufactured from magnesium chloride which was a roundabout process. The Company is now manufacturing calcium chloride direct from bitterns with the result that there has been some economy in cost.

(b) At the time of the previous inquiry, the Pioneer Magnesia Works was using a filter press to separate magnesium chloride from calcium chloride. This has been eliminated by the employment of Dorr-Thickner and Reaction Vessel principle with the installation of suitable plant, thereby reducing the cost of production by 8 annas per cwt.

6. Imports of calcium chloride of ordinary grades have been negligible during the last few years. At present the entire demand in the country for ordinary grades of this article has been met by indigenous production. There is room for considerable improvement in the process of manufacture and increase of output. But, as stated earlier, due to the non-availability of lime, coal and fire-wood and on account of labour difficulties, production has considerably declined. Nor has any progress been made in the recovery of by-products like basic light magnesium carbonate and bromine. No appreciable reduction in the cost of production can be expected until production has been stepped up and improvements in the process of manufacture have been effected.

7. Our conclusions and recommendations are summarised as follows :—  
Summary of Board's conclusions and recommendations.

(i) The Pioneer Magnesia Works has spared no efforts to improve the process of manufacture and has made some progress in that direction. If production has fallen and costs have gone up, this deterioration in the position of the industry has taken place due to circumstances over which the Company has no control.

(ii) The Company has shown considerable initiative and enterprise in establishing this industry in the country. It is eager to expand and improve its plant and utilise important by-products so as to reduce the cost of production of calcium chloride. It is also prepared to convert itself into a public limited company and thereby increase its capital. But it contends that it cannot go ahead with these plans of expansion and improvement until Government have decided about granting it a long-term extension of the present 'bitterns' lease which is due to expire in 1953. In the interest of the industry Government should decide this matter at an early date.

(iii) The previous Tariff Board had recommended protection for a period of 3 years with effect from 1947, but Government has so far granted protection to the industry for a period of two years and three months. The industry contends that the benefit of protection has been enjoyed by it for too short a period to enable it to effect appreciable improvements in the process of manufacture. It, therefore, requests that the period of protection should be extended by 2 or 3 years more. The Board believes that there is force in this contention and recommends that the present protection should be extended by one year, i.e., up to 31st March 1950. This will mean the grant of protection for a total period of three years and three months. Moreover, protection in this case having been granted simply by converting the revenue duties into equivalent protective duties, it does not impose any additional burden on the consumers.

(iv) Government should also provide necessary facilities for the transport of lime-stone, firewood and coal and allocate an adequate quota of steel sheets for packing drums and thereby assist the industry to step up its production.

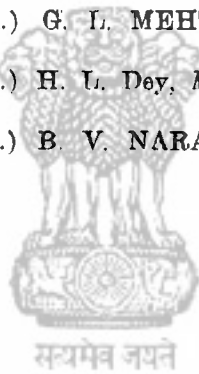
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(Sd.) RAMA VARMA,  
*Assistant Secreta*

BOMBAY,  
The 11th October, 1948.





## APPENDIX.

*Estimate of comparative costs of production of Calcium Chloride per cent.*

	At the last Tar- iff in- quiry in 1946 (Board's estimate)	Board's estimate for 1947-49	Present cost (1948)	Remarks
	Rs. A. P.	Rs. A. P.	Rs. A. P.	
<b>I.—Manufacturing expenses :</b>				
1. Raw materials bitterns and lime.	2 14 0	2 6 0	0 14 0 3 8 0	Increase due to higher wages. Railway freight on limestone has gone up by As. 7 per ton and labour charges for handling limestone and making lime have gone up.
2. Power and Fuel .. ..	4 2 0	4 0 0	5 8 0	The cost of furnace oil has gone up from Rs. 65 to Rs. 115 per ton.
3. Repairs and maintenance ..	0 10 0	0 10 0	0 8 0	Reduction of cost due to elimination of filtered process.
4. Labour .. ..	2 12 0	2 4 0	4 4 0	Includes cheap grains and/or free grains.
5. General services ..	0 3 0	0 3 0	0 3 0	
6. Quality control and research	0 2 0	0 1 0	0 2 0	
7. Packing .. ..	1 0 0	0 12 0	1 0 0	
8. Water, lighting royalties etc.	0 1 0	0 1 0	0 2 0	
<b>II. Overhead charges :</b>				
9. Depreciation .. ..	0 8 0	0 8 0	0 8 0	
10. Interest on working capital	0 1 0	0 1 0	0 1 0	
11. Insurances .. ..	0 1 0	0 1 0	0 1 0	
12. Rent, rates etc. ..	0 0 3	0 0 3	0 0 3	
13. Selling expenses ..	0 4 0	0 4 0	0 6 0	
14. Miscellaneous .. ..	0 4 0	0 4 0	0 4 0	
<b>Total</b>	<b>12 14 9</b>	<b>11 8 9</b>	<b>17 5 3</b>	
		<b>*2 0 0</b>		
		<b>9 8 9</b>		

\* Anticipated credit for production of basic Magnesium carbonate.

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